

**District of Columbia
Skyland
Overview of Section 108 Loan Guarantee Application**



Figure 1. Rendering of the Skyland Project

The Project The Skyland redevelopment will be a 240,000 square foot high-quality retail center in the Hillcrest Neighborhood of Southeast Washington. Skyland will be co-anchored by a discount department store like a Target and a supermarket. The National Capital Revitalization Corporation (NCRC) will assemble the Skyland parcels, conduct initial site preparations, and relocate current tenants. NCRC will carry out these tasks according to a Memorandum of Understanding between the District and NCRC. After the site is prepared, NCRC will sell the site to the private sector development team.

The Financing The District of Columbia proposes to borrow up to \$27.97 million to invest in Skyland. The District will loan NCRC \$24.9 million of available Section 108 proceeds to prepare the site. The District will repay the Section 108 borrowing with the proceeds from the disposition of the Government Printing Office (GPO) parcel under contract to sell for \$28.7 million by 9/15/2004.

The Risks The District is required to pledge future federal Community Development Block Grant (CDBG) funds as security for repayment of the Section 108 Loan Guarantee borrowing. If the land disposition proceeds from the GPO site are unavailable by 9/30/2007 then the District will need to find alternate means of paying the Section 108 debt service. The District has sought to minimize this risk. NCRC has agreed with the District to liquidate another parcel or financial instrument within its control to generate sufficient cash to repay the Section 108 borrowing before the District needs to start making permanent debt payments on the Section 108 borrowing. If NCRC fails to generate sufficient cash to pay the debt service on the Section 108 Loan Guarantee, the District may use CDBG funds to cover the shortfall.

The Benefits The Skyland redevelopment will transform an underutilized retail site into a thriving destination that is an asset to the neighborhood and to the District as a whole. The new Skyland will increase opportunity for Ward 7 and Ward 8 residents to purchase quality goods and services from national and local retailers not presently available in the area. The new Skyland:

- Creates 300 additional full-time equivalent jobs and approximately 305 construction jobs, at least 51% of which will go to District residents, expected to pay employees over \$30 million in wages by the end of the first two operating years;

- Increases local sales and property tax revenues needed to support improved public services;
- Catalyzes future redevelopment in Wards 7 and 8, complementing the District's investments in transportation and housing.

Skyland is an eligible activity according to the HUD regulations.

The proposed use of Section 108 Loan Guarantee assistance by the District will comply with the national objectives of the Community Development Block Grant program [24 CFR 570.200(a)(2)]. The use of proceeds will comply with this national objective by the application of 24 CFR 570.208 (1)(i) - Area benefit activities.

Modification of the Consolidated Plan to Include New Financing Pledge

The District of Columbia will propose to modify its Consolidated Plan, Fiscal Year 2004 Action Plan to HUD to indicate its plans to request a Section 108 Loan Guarantee for the Skyland project and to pledge its future CDBG federal entitlement funds as a secondary repayment source for the loan.

Use of Proceeds. The Skyland Section 108 Loan Proceeds will be used in the following manner:

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| Phase I Land Assembly and Site Preparation | | \$ 24,900,000 |
| Debt Service Reserve Fund | | \$ 1,706,905 |
| Costs of Origination | | \$ 412,633 |
| Capitalized Interest | | \$ 901,976 |
| Contingency | | \$ 43,486 |
| Total Use of Section 108 Proceeds | | \$ 27,965,000 |

Where you can find a full copy of the District's proposed Section 108 application

A copy of the full Section 108 loan guarantee application is available at your local ANC, local libraries, at DHCD (dhcd.dc.gov) and at the Office of the Deputy Mayor for Planning & Economic Development (dcbiz.dc.gov). If you desire specific information or you have questions, we look forward to speaking with you:

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